

# THE IMPACT OF ORGANIZATIONS' POTENTIAL OF COMPETITIVENESS ON THEIR CURRENT STRATEGIC AND TACTICAL MOVEMENTS

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*Organizations' competitiveness is an effect of their current strategic and tactical movements and also a cause, a driver of future performance. This paper aims to analyze competitiveness in dynamics, by taking into account the impact of organizations' potential of competitiveness on their current actions, which of course will lead to a higher or lower level of competitiveness in future.*

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*JEL classification: L14, L21, L25, M16*

## **Introduction**

Any organization should try to be competitive and, moreover, any organization's performance is directly related to the quality of its strategic and tactical movements. Therefore these movements deserve special attention. However, they are partly the result of the organization's current potential of competitiveness and we will explain our view in the following pages.

## **Literature review**

### ***Competitiveness – a dynamic concept***

Competitiveness clearly implies dynamics, by being a time-dependent structure (if an organization is currently competitive, this does not mean it will also be competitive in the future).

We define competitiveness as *the capability to successfully compete, to provide products and services as or more effectively and efficiently than relevant competitors for a specific time frame* (Radu, 2009).

There are many theories and models that try to explain why some organizations perform better than others. These theories and models can be grouped in three categories: **the internal perspective**, which concentrates on resources and capabilities, **the external perspective**, which focuses on the structure of industries and **the dynamic perspective**, which bridges the internal and external perspectives and explain why competitive advantages do not typically last over long periods of time (Carpenter and Sanders, 2007). In order to have a good vision regarding a company's future, a careful analysis of the whole system a company is part of and the ability of the company to achieve future growth are clearly necessary (Woodhead and McCuish, 2003). It is clear that current competitive position and potential influence the future level through company's current responses (actions). However, an incorrect assessment of the current situation may lead to two errors: an under-response (in terms of relative competitive force) should result in deteriorating relative competitive position; the over-response is also a problem, as it can result in wasted resources with little gain in advantage (Oliva, Day and Macmillan, 1988).

A company's long term adaptation is actually produced by a series of strategic behaviors and organizational innovations. Therefore the organization's capability to develop effective strategic behaviors and organizational structure is critical for any company's growth (Kuwada, 1998). Strategic decision speed is very important; it matters for companies' growth (competitiveness as a result). Therefore, companies need to master fast decision-making (Baum and Wally, 2003).

### ***The potential of competitiveness***

In practice, when we analyze competitiveness dynamically, we refer less to specific strengths or weaknesses, and more to "a potential of competitiveness", a response capacity, and adaptation to various evolutions in the environment in which a company activates (Radu, Grigore and Cătăneț, 2009). The difficulty of dynamical analysis consists of the variable certainty of the predictions (regarding the environment), as well as the difficulty of obtaining relevant information, which many times happens to be confidential. However, the potential of competitiveness may be analyzed in dynamics, by using an extended Porter's model in dynamics (Radu, Grigore and Cătăneț, 2009), a dynamic analysis of the five competitive forces and of the macro-environment. The idea is to identify the organization's responses to the main evolution trends regarding competition, potential competitors, substitute products, customers, suppliers and general environment. In this way we obtain a response capacity of the company to the evolution of its environment, which we considered to be "the potential of competitiveness".

### ***Evaluation of organizations' current strategic and tactical movements***

It is not easy at all to evaluate organizations' current actions, strategic and tactical movements. Respondents to our questionnaire would not have answered to specific questions (or perhaps they would have answered, but not sincerely). However, we understood that the main points to be attained refer to cost, time and quality in an extended view (Radu, 2009) and these aspects could be pursued in our questionnaire. With respect to cost, we were particularly interested in analyzing the cost of actions seen as use of resources and tendencies towards outsourcing or not non-core activities. With respect to time, we followed to rapidity of organizations in adapting to various new conditions (flexibility). Last but not least, with respect to quality, we looked for organizations' focus on customer.

### **Conceptual framework**

It is clear that any organization's potential of competitiveness will impact its future level of competitiveness. However, this influence is not a direct one. The main idea is actually one hypothesis we were interested to test: **The potential of competitiveness has a direct and positive influence on organization's current actions.**

### **Methodology**

In order to test our hypothesis, we developed a questionnaire of 54 questions that was applied in two periods of time (June – September 2007 and June – September 2009), in order to see the causal relationships and the transformations over time. Almost half of the questions were actually translated and adapted after a standard questionnaire developed by European Foundation of Quality Management (EFQA) and used to assess business excellence.

223 questionnaires were distributed to managers of different Romanian organizations (7 of them non-profit organizations, the rest of them companies of different scales and from different fields of activity). Our final analysis was limited to 98 organizations.

### **Main findings**

After processing the completed questionnaires we analyzed the average scores for each company regarding both the potential of competitiveness and their current strategic and tactical movements. Therefore we could analyze the distribution of results and also to perform a

regression analysis in order to test our hypothesis. The following figure shows the distribution of average scores for organizations' potential of competitiveness:

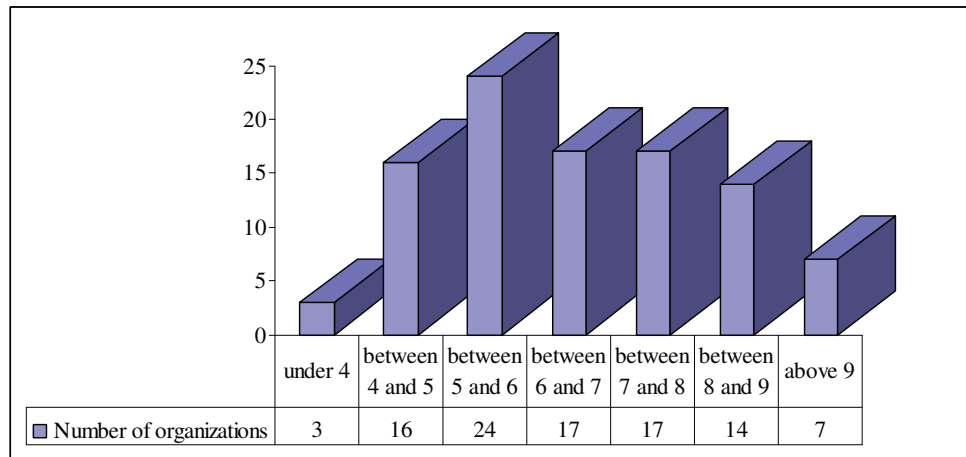


Figure 1. Distribution of average scores for potential of competitiveness

With respect to the average scores obtained for the potential of competitiveness, the distribution is quite uniform. Most of organizations have an average score between 5 and 6 (24 out of 98, which corresponds to 24.49%). The averages scores are between 4 and 5 for 16 organizations, between 6 and 7 for 17 organizations, between 7 and 8 again for 17 organizations, between 8 and 9 for 14 organizations. 3 organizations have very low scores (under 4), and 7 very good scores (above 9).

Figure 2 shows the distribution of average scores for organizations' current strategic and tactical movements:

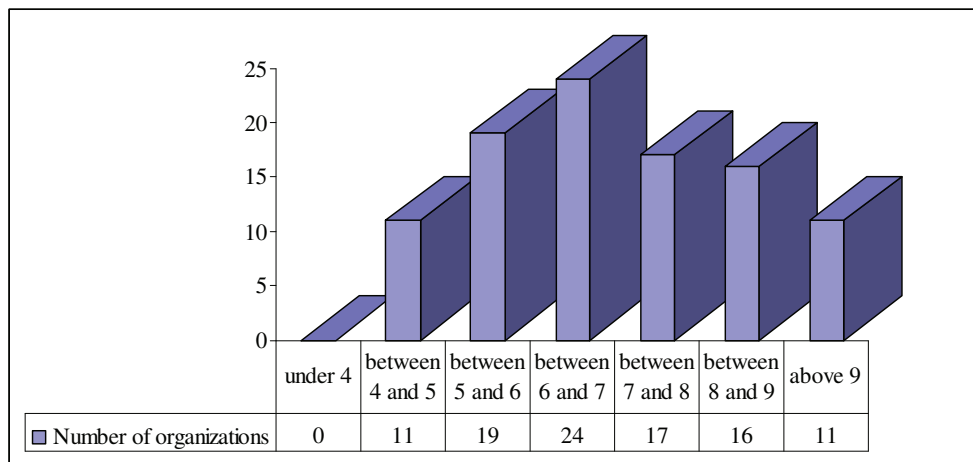


Figure 2. Distribution of average scores for current strategic and tactical movements

Most of organizations that participated in the questionnaire led to a distribution with the highest proportion of results between 6 and 7 (approximately one quarter – 24 out of 98 organizations, meaning 24.49%). The distribution is quite uniform, and there is no organization with a lower score than 4. We can also notice that the number of organizations with a score between 4 and 5 is the same with the one with scores above 9 (11 organizations).

Although distribution of average scores indicates some elements, for our analysis what happened with each organization in part is more important. In order to test this hypothesis we used the simple linear regression. The graph that shows the dependency relationship is the following:

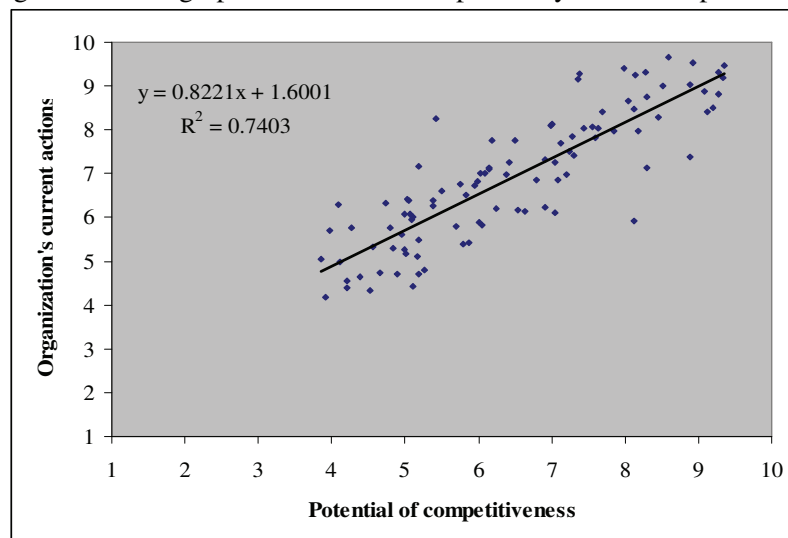


Figure 3. Regression line – “Potential of competitiveness – Organization’s current actions”

The coefficient of determination  $R^2$  has a high value (0.7403). Linear relationship of dependence between the two variables is strong, as it can be seen from the figure, as there are quite few distant points (outliers). F test and p value show that the model is valid:

Table 1. Information regarding the regression line

Regression line:	$y = 0.8221 \cdot x + 1.6001$
Coefficient of determination ( $R^2$ ):	0.7403
Standard error:	0.76
F test (Fisher):	273.7224
p-value:	$7.32 \cdot 10^{-30}$

## Conclusion

We can validate our hypothesis. Indeed, the potential of competitiveness has a direct and positive influence on organization’s current actions.

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